Critical Research Analysis on the Effectiveness of it auditing for Corporate Governance

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Abstract
Auditing is one of the essential elements for the successful functioning of the business and helps an organization to face the external world with precise information on its business and issues related to accountability. Apparently, the revenue generated by the company and the costs associated are the major contributing factors for decision making on the tax and shareholder benefits. Alongside, the growth of information technology and the increase in the public awareness has further intensified the need for conducting an efficient auditing process to provide accountability for their business activities.

Introduction

Auditing is one of the essential elements for the successful functioning of the business and helps an organization to face the external world with precise information on its business and issues related to accountability. Also, it is universally accepted that any business organization irrespective of its nature of business must provide relevant documentation to the government and other legal authorities with respect to their income and expenditure in order to meet the rules and regulations on tax. In the initial years of its introduction, auditing was primarily concerned with only the finance and finance related activities within the business that is accounted for in the business. Apparently, the revenue generated by the company and the costs associated are the major contributing factors for decision making on the tax and shareholder benefits. Alongside, the growth of information technology and the increase in the public awareness has further intensified the need for conducting an efficient auditing process to provide accountability for their business activities.

It is intriguing to note that information technology has become an integral part of every business organization making information as a critical element for the effective operation of the business itself. Thus the need for auditing the information and IT based activities that account for the finance for the organization both revenue and expenses are imperative. This report is focused on the effective role of information technology audit in the corporate governance in the UK business organizations. The fact that the corporate governance is the portrait of the a company to the external world both in terms of performance as well as financial information makes it a critical element for the success of an organization.

It is also imperative that the corporate governance of an organization is essential not only for the benefit of the stakeholders but also for the economic stability in the business market as well as the entire nation. This report is aimed to present a critical research analysis on the effectiveness of IT auditing for corporate governance in UK. The report will throw light on the various aspects relate to achieving effectiveness in through IT audit as part of corporate governance and critically analyses the Sarbanes Oxley Act on IT audit and information transparency.

Literature Review - Corporate Governance

2.1: Background Information

Gerry Johnson and Kevan Scholes (2001) say, Corporate Governance is an essential element for any business organization mainly because of the fact that the corporate governance is the message conveyed by the company to the external world including the general public and stakeholders. Alongside, it is also interesting to note that the corporate governance of an organization not only communicates to the external world but mainly provide a one-stop information resource to anyone who is interested in the organization. The corporate governance of the company is essential for not only effectively communicating to the external world but mainly to attract potential customers in the general public both for the business as well as identify potential investors to the company. Furthermore, the fact that corporate governance is also the comprehensive analysis of the entire organization performance by taking the first chapter of every company's annual report makes it critical for an organization to effectively maintain and achieve a high level of corporate governance as argued by Gerry Johnson and Kevan Scholes (2002).

Denzil Watson and Tony head (1998) further argue that the corporate governance of a company is not only a one page message conveyed by the chairman of the organization but also concerns with the relationship between the company management and its owners in the entire structure of the organization. Apart from the relationship with the owners and stakeholders, the corporate governance is also an essential element for the effective management of the human resource of the company itself mainly because of the fact that not only the interests of the existing workforce should be nurtured but the company should also maintain a positive corporate governance to attract new employees to the organization in order to achieve long-term organic growth as argued by Denzil Watson and Tony head (1998).

Another interesting fact identified by Denzil Watson and Tony head (1998) is that the corporate governance is a critical element in determining the remuneration for the senior executives in many organizations within the UK, which apparently means that the corporate governance is the mechanism that is used by the owners to govern the management of the company. Also, it is interesting to note that the corporate governance in the UK companies has been traditionally stressed upon the importance of internal control and importance of the role of financial reporting and accountability in the organization to its stakeholders and general public.

2.2: Need for corporate governance

Corporate governance of an organization is not only a message that is being conveyed to the stakeholders or the method of managing the management by the owners of the company but essentially the way of monitoring the company's growth and its position in the entire business market it is operating. The corporate governance is also important for achieving competitive advantage in the target market because of the fact that the customers in the target market are keen in identifying the attributes of the organization that sells the products to them. This includes every form of business including consumer industry, retail sector and even power and energy management sector as identified by Sebastian Nokes (2001). Furthermore, the corporate governance in an organization is also essential for efficiently monitoring and deploying the infrastructure of the company itself.

Chris Brown (2005) argues that the corporate governance of an organization is essential for not only increasing the productivity of the organization but also to become an inspiring element for the employees in the organization to achieve higher level of performance within the organization. Furthermore, it is also interesting to note that the corporate governance of a company is essential to manage the senior management of the organization for not only monitoring the productivity but also for deploying the revenue for further business development. It is imperative that finance is the heart of the entire corporate governance mainly because of the fact that a company's performance is determined based upon its financial performance both by the stakeholders as well as the general public.

T.C. Melewar (2003) further argues that the corporate governance of the organization is essential for not only the efficient management of the organization but also for identifying any potential issues that should be verified in order to achieve coherent results during the process of auditing in the company.

Following the fall of the Enron and WorldCom which was mainly because of the failure of the management of the company to provide coherent information for audit process and fraud activities in the financial information, the Securities and Exchange Commission of United States of America has made it a rule that the corporate governance of a company must also include non-executive directors who are responsible stakeholders and people of social respect who would validate the activities of the company itself. Furthermore, the Securities and Exchange Commission has also made it mandatory that the auditing committee of the company must contain at least three non-executive directors mainly to facilitate the validation and approval of the results from the audit committee.

2.3: Essential elements of corporate governance

Even though it is clear that the financial performance and the financial statements are critical to the corporate governance itself, Denzil Watson and Tony Head (1998) have identified the following elements as the major contributing elements to achieve efficient corporate governance in any business organization.

2.3.1: Human Resource

Michael Armstrong (2003) argues, Human resource is the most indispensable resource for any organization. Apparently this is because of the fact that the costs associated with the recruitment and training of new staff in an organization is very high when compared to retaining the existing workforce and effectively nurturing their performance to increase productivity s well as stabilize the costs as identified by Denzil Watson and Tony Head (1998). Furthermore it is imperative that only the effective performance of the human resource of the organization without encouraging any errors and maintaining the transparency in their work related activities would provide accuracy and consistency in the business activities across the entire organization right from the operational level. It is also clear that even though the corporate governance concept is entirely strategic in nature, the business generates revenue only from the very en of the operational staff and hence the need to achieve accuracy and reliability at operational level is imperative for the efficient corporate governance in an organization.

Derek Torrington and Laura Hall (1995) argue that the human resource of an organization not only contribute to the efficiency or performance of the organization, but also contribute to the overall reliability of the organization which is an essential element to achieve corporate governance in the organization. This is mainly because of the fact that the staff right from the operational level to the top level management must have the commitment in achieving the standards set by the company in performing the business which is essential for the corporate governance itself mainly because of the fact that corporate governance is increasingly being treated as a factor of reliability on the company rather than a information resource to judge the performance of the company. Alongside, Derek Torrington and Laura Hall (1995) further argue that the efficiency of the human resource of an organization is the primary contributing factor for the accuracy and reliability of the company's performance in the external world. This also explains that the human resource of an organization not only contribute to the efficiency and revenue generation of the company but also for the corporate governance of the organization itself.

The above arguments justify that the human resource management and efficiency is essential for corporate governance in any business organization in UK.

2.3.2: Finance

As argued before finance is the backbones for any business since every organization operating in the commercial environment are focused in generating revenue and the increase in competition in the business due to globalization and innovative business methods has apparently increased the need to focus on generating revenue with minimal costs as argued by Gerry Johnson and Kevan Scholes, 2001). The above statement clearly justifies that finance is the critical element for the corporate governance in every business organization. Alongside, it is also essential to mention that the financial results are the end-product that is being analyzed by the auditors even though the way in which the revenue is generated and the process of maintaining the cash flow are other critical elements of the business itself.

Denzil Watson and Tony Head (1998) further argue that the corporate governance is predominantly based upon the fundamental issues of resource and finance allocation is addressed through the corporate governance only. This further makes it clear that even though accounting is a critical element of the finance, the output of which is actually being audited, the resource allocation and the finance management are the critical ingredients for the corporate governance in the organization which makes finance as the backbone of the corporate governance to any business organization. It is further intriguing to note that finance is not just the way of managing the allocation of money and financial resources but essentially the accountability to the allocations is the major factor that is analysed in the corporate governance of any organization apart from the corporate finance itself. Hence, accountability in terms of financial performance and management are the critical factors that contribute to the corporate governance of an organization.

The rule passed by Securities and Exchange Commission of the UK that the financial statements must be disclosed not only in the annual reports but periodically published for public notice in order to enable the investors and stakeholders to critically judge the organization performance has made it clear that corporate governance embraces finance of the organization. Alongside, it is also clear from the Bank of Credit and Commerce International (BCCI) that the companies must disclose their financial information and also provide accountability for all the revenue generated and costs incurred not only in the annual balance sheet but also in a periodic fashion further justifies that the corporate governance is critically dependent on finance.

2.3.3: Infrastructure

The infrastructure in this context is not just the furniture and desktop computers that are used to accomplish the day-to-day business process but mainly the infrastructure that handles the finance and finance related information and activities. These include the software and hardware systems that hold the information on the finance and also those infrastructure elements that contribute to the generation of revenue in the first place. Denzil Watson and Tony Head (1998) further argue that the infrastructure in a corporate governance context also includes those that accomplish the effective auditing process and also the infrastructure elements that contain critical information on the finance and billing.

Alongside, the infrastructure not only provides support to the finance and billing in an organization but also mainly contributes to the efficient retrieval and storage of the information (discussed in next chapter) and also supports the financial decision b=making in terms of corporate communication and deciding upon the allocation of finance for further development within the organization.

This further justifies the fact that infrastructure in a corporate governance context not only includes the storage and retrieval system (electronic) but also includes those infrastructure that actually processing the payments made by the customers to the organization and the expenses of the organization in order to run the day-to-day business.

2.2.4: Communication

Communication is critical for corporate governance because of the fact that only through the effective communication of the information to the audit committee, the organization can gain reliability and provide concrete information in their corporate governance. Since the corporate governance is predominantly the managing of the senior management of the organization and is derived from the process of auditing and verifying the activities of the company in every segment of the organization (including Human Resource and Finance) makes the communication a critical element for the smooth operation of the business. Furthermore, the communication also plays the vital role of communicating the information to the external world.

2.3: Committees

The aforementioned elements of the corporate governance are mainly in line with the day-to-day business process of the company itself. In order to maintain the accuracy of the corporate governance and increase the transparency as well abide by the regulations of the Securities and Exchange Commission, corporate governance consists of the following committees as identified by The Business Roundtable of UK (2004).

2.3.1: Audit Committee

According to the Securities and Exchange Commission it is mandatory for every publicly owned company to have an audit committee comprised of solely independent directors. This makes it clear that auditing is the heart of corporate governance and the accuracy of the entire business process will be accountable to the audit committee. Furthermore, the audit committee is also responsible for verifying and checking every aspect contributing to the business and the financial performance of the organization hence making it a critical element of the entire corporate governance itself. Alongside, it is also imperative that the independent directors belong to various segments of the business and also that the committee should comprise of non-executive directors for the purpose of accomplishing the consistency in the operation itself.

This further justifies that that audit committee is responsible for justifying the accountability of the organization.

The Securities and Exchange Commission clearly states that the audit committee should comprise of at least three members (directors) of the audit committee should be independent of the entire organization and should not participate in the management of the business directly or indirectly. These directors are called the non-executive directors as discussed above and they are appointed mainly to provide unbiased assessment on the business operations so as to clearly establish the business process and accountability for corporate governance of the organization.

Denzil Watson and Tony Head (1998) say that even though it is not expected out of an independent director to have comprehensive financial knowledge it is essential for the non-executive directors to possess the fundamental knowledge on finance and its relevance to the business itself. They further argue that the directors in the audit committee should be able to conduct the auditing process with a critical eye to identify any flaws in the business process or the methodology of the organization in order to judge the company's financial performance.

Even though, auditing is predominantly related to the finance and revenue of an organization, the other elements like information technology, human resource and infrastructure discussed above are also judged by the audit committee which is the reason for accommodating the directors in the committee from various fields of specialization in order to provide critical suggestions and provide accurate assessments upon the performance of the organization itself.

Information systems and corporate governance

Background information

Information systems is the term used to identify the comprehensive deployment of Information technology and IT related products to accomplish the processing of information and presenting the right information for the decision makers. John Ward and Joe Peppard (2002) argue that the information systems in an organization not only includes the technology and technology related products but also those segments of the business the actually process and generate output from the information like the billing, revenue and purchasing departments of a corporation. Furthermore, they argue that the strategic use of information to facilitate effective decision making by the senior management of the organization apparently increases the need to identify critical information as well as maintain integrity of the information to accomplish accuracy and reliability. Information technology has seen tremendous growth in every sphere of business with the increase in the competition and the innovative methods of business like Customer Relationship Marketing and buyer behaviour modelling.

The use of information by the external entities like the stakeholders, and governing authorities has also increased with the increase in the companies utilizing the information technology to accomplish their business process. It is interesting to note that the information technology in an organization not only provides operational support but also helps accomplish the decision making by the senior management efficiently.

Role of information technology in business

The increase in globalisation and the presence of foreign players in the business organizations has apparently increased the competition in the UK business markets. The increase in the outsourcing and the need to reduce costs has further increased the need for the organizations to deploy innovative methods to identify areas where they can eliminate costs as well as identify new areas for potential business.

Alongside, the fact that information technology has increased the speed of processing information and reduced the level of errors associated with the business has apparently increased its popularity among the competitors. Efraim Turban et al (2004) further argue that the companies participating the business process within the UK are increasingly facing competition from electronic commerce issues and the need to increase the revenue is increasing with the increasing costs as well as the continuous competition by reducing the price of products. The above statement may be applicable for organizations dealing with general public or the consumer industry but for organizations in the Banking sector and the energy transmission sector where the service is offered to the customers and the pricing is not a critical part, the information technology essentially plays the vital role of identifying new customers as well as providing ability to serve the customers effectively.

3.2.1: Business-to-Business perspective

In a business-to-business perspective, information technology has not only increased the speed of communication but also essentially increased the accuracy of the information being processed between two organizations. Alongside, information technology has also accomplished the ability to conduct video conferencing and other forms of communication eventually reducing the costs for the business and at the same time increasing the productivity of the staff in the company.
Apart from the above-mentioned points, in a business-to-business perspective, the organizations are increasingly leveraging information technology to achieve secure transaction of information critical to the business. The increased use of Internet by the organizations and the deployment of electronic commerce have further increased the speed with which the decision is being made by the different business organizations involved in a specific deal. The market review on the business-to-business marketing in the year 2004 has revealed that the industries are increasingly using the information technology to quickly make their decisions in order to meet the competition in the business markets they are competing. Furthermore, Isla Gower (2004) argues that in a Business-to-business environment the information being transferred is critical and requires to be of high accuracy levels mainly because of the fact that the information so processed contributes directly to the decision making of the involved parties and hence can have a severe impact on the business in case of in accurate information being sent to the involved parties.

Alongside, in a business-to-business environment, the information processed is not only strategic in nature but also serves as ingredient for critical analysis and forecasting by the decision makers in order to analyse a given business market and trend of the business in the target market.
The above argument clearly establishes the vital nature of information in a business-to-business perspective. It is clear that the information being processed is not only critical but also essential for maintaining harmonic relationship between the involved organizations.

3.1.2: Business-to-consumer Perspective
Unlike the business-to-business situation discussed above the business-to-consumer case is more critical in nature because of the fact that it not only involves high density of information being processed but also the business faces the customers in the general public. Apparently the public opinion upon the organization will change and can have potential impact on the entire business if the information being processed is not accurate.

Alongside, the information technology has not only revolutionized the process of business by accomplishing electronic commerce but also accomplished quick and timely communication to the customers through various forms of electronic communication like e mails, Internet publications, newsletters etc., The fact that the people in the general public also comprise the stakeholders in the organization has further made it critical for the requirement of presenting accurate information to the customers in order to increase their market share and leverage competitive advantage.

Since this report is focused upon the corporate governance where the information is mainly used for the decision making and providing reliable information to the stakeholders a detailed analysis of the advancements in information technology to leverage business development are not discussed.

3.2: Information Technology as part of the business process
Many organizations are increasingly using the information technology to increase their speed of the day-to-day business process itself on top of utilizing information technology to produce effective reports and conduct complex calculations. National Grid Transco, the company under analysis is one such organization to have deployed the information technology on a nationwide basis across its various branches and third parties involved in the business process. The company processes large amount of information every day, as part of the business process and most of the information is sensitive in nature that could affect the revenue generated by the company itself. With reference to the concept of corporate governance this information that is being processed must be verified and validated in order to account for the billing and payment from the customers for the company. A detailed analysis is presented in chapter 6 of this report.

Alongside, the banking sector which is another industry under consideration is increasingly depending upon information technology not only to attract customers but mainly to conduct their business process effectively and support the financial decision making both at branch level for issues related to money lending and opening new accounts as well as at corporate level to decision making on investments and business development. Alongside, the leading conglomerates like Barclays and HSBC in the banking sector leverage information technology for not only processing of the information but also for the communication of critical information like foreign exchange rates, share prices, and other critical information which has o be validated before being published for the shareholders to view.

The above two brief examples clearly identify that the information that is being processed by the companies are the main contributing factors for the actual revenue generation in the company itself. National Grid Transco, Plc for example is a company that is completely dealing with energy where revenue is being generated based upon the energy transferred to the customers. In this case an error in the processing of the information related to the energy will directly impact upon the billing, which will eventually hinder the corporate governance of the company itself. This justifies that the extensive use of information technology in business process has apparently increased the extent to which errors can occur in the business process itself, which will affect the company's corporate governance drastically.

3.3: IT audit in corporate governance

The discussion in the previous section throws light upon the use of information technology as part of the business process by many organizations. Christopher Barnatt (2000) argues that the corporate governance in an organization even though embraces the auditing of the finance and revenue establishing accountability, mainly depends upon the information that is underlying the revenue generated or the cost incurred since the financial quantification by the company is based upon the actual information on their day-to-day business. This further makes it clear that information not only plays a critical role in managing the audit data but also essentially plays a vital role in validating the raw data that is actually used to account for the revenue within the organization.

The above statement clearly explains that the information technology in critical for the business process and revenue generation apart from the aspects of customer relationship etc., John Ward (2000) further argues that the information technology in a business environment with reference to corporate governance of the organization provides the initial input for the actual revenue accountability of the organization. Furthermore, he argues that the possibility to provide false information in order to cover any major issues within the organization will eventually affect the corporate governance of the organization. Alongside, it is clear from the above argument that the technology behind the processing of the information itself needs to be validated n terms of access control and security measures in order to prevent unauthorised access to the information.

Enron, a leading company in the energy sector of the United States of America actually published false information on the amount of energy generated and transferred to the customers which eventually presented a high level of financial performance by the company resulting in investment by many shareholders. This was mainly because of the fact that the company was entering false information on the input end (i.e.) entering false information on the amount of energy sold to which has apparently resulted in the chain of actions resulting in the company's bankruptcy. Isla Gower (2004) further argues that the fall of Enron because of the presentation of false information on the company's business data (i.e.) energy in kilowatt hours proves that the actual information upon the company's business process is the quantifying factor for the company's performance that resulted in economic instability in the energy sector of the United States of America in the year 2001. Furthermore, Enron has also failed in accounting for its debts since 1987 and the profit was overstated in the annual reports which led to rise in the share prices from mere dollars in the early 1990s to nearly $90 in 2001. The fact that Enron committed financial fraud by hiding the information related to its debts would have been identified by the then auditors of the company Arthur Anderson was the cause for the company's bankruptcy and financial instability in the United States of America for a brief period in 2001. Since Enron was not actually producing any products and was actually acting as a middleman in the energy business, the fall of Enron the seventh largest company in United States of America in 2001 did not gravely affect the country's economy (Joseph Liberman, 2002). Alongside, it is also essential to mention that the company failed mainly because of its inability to balance the revenue and debts since it made investments without monitoring its debts, which eventually resulted in the company's financial frauds with information.

WorldCom unlike Enron was a leading telecommunications company with a range of telecommunications products being produced. They went bankrupt because of the fact that it misinterpreted the information on expenses as investment which apparently increased the company's position in the stock market (Mark Tran 2002). Furthermore, the failure of the company to adhere to the accounting standards and strictly classify the expenses by the company from its investment led to the bankruptcy of the company. In this case as opposed to the case of Enron where the information was falsely entered, the information in case of the WorldCom was actually misinterpreted by the company.

The above examples clearly explain that the auditing of the information technology and the actual input data flow is essential for the successful approval of the information produced in the financial statements. This further justifies the fact that information technology no longer plays an operational role in the business organizations and hence the need to audit information technology products and the process of the IT systems itself is highly essential in order to maintain information consistency so as to achieve effective corporate governance in the organization.

Evaluation of Objectives

Objective 1: To critically analyse the concept of corporate governance and its importance for an organization both internal and external to the business.

The literature review on the corporate governance in chapter 2 provided a comprehensive overview on the concept of corporate governance. It was established that the corporate governance of an organization predominantly depend on the effective auditing and accurate financial reporting which contributes to the company's overall position in the target market as well as gain investor confidence Alongside it was also established that the corporate governance of an organization also contributed by the effective functioning of the human resources, finance, infrastructure and above all effective internal communication. The analysis on the committees for corporate governance proved that the corporate governance of an organization is not only the financial reporting but also monitors the overall operation of the entire senior management of the organization in order to gain sustainable market growth through improved performance and effective management. It was also established that the corporate governance committee in the corporate governance monitors the entire operation of the corporate governance in the organization and has complete control over the other two committees namely the audit committee and the compensation committee. Furthermore, the literature review on the corporate governance of an organization also revealed that the corporate governance is essential for all publicly quoted organisations and that the financial reporting is the critical element for the corporate governance.

Objective 2: To analyse the critical nature of information in business and the growth of information systems in corporate governance.
The analysis in chapter 3 has justified that the organizations in the UK are increasingly depending upon information technology for conducting their business process itself which contributes to the financial reporting in the corporate governance of the company. Alongside, the fact that the organizations are increasingly utilizing information technology to conduct business in both the business-to-business and business-to-consumer perspective apparently increases the critical nature of information in the entire business process itself. Alongside, the overview on the IT in corporate governance has further revealed that the information technology is no longer an operational component of the business because of the fact that the information contributing to the financial reporting of the organization is mainly derived from the information systems the provides input information for the financial value of the actual business of the company. furthermore, the overview has also revealed that it is not only essential to maintain the accuracy at the strategic level but mainly to provide accurate input to the system at operational level because of the fact that the sales or any form on the business operation at the operational level contributes to the actual revenue of the company itself and hence it is imperative to maintain accuracy and consistency right from the operational level of the system.

Objective 3: To analyse the corporate financial reporting frauds and the role of information technology in such cases through critically analysing examples from various industries.
The overview in chapter 3 on IT and corporate governance further revealed that the information used for the purpose of financial reporting is predominantly the input data by the personnel and the fact that any error or flaw in this input will apparently result in a fraud in the financial reporting resulting in the infringement of the corporate governance of the organization itself. Furthermore, it was also established that the actual technology behind the processing of the information itself should be capable of producing accurate results in order to maintain consistency and accuracy of the results. The deployment of various innovative technologies by the organizations in order to increase its market share and also present accurate information for financial reporting apparently justifies the need for a robust technology on top of accurate information system itself.

The analysis of the Enron and WorldCom issues have revealed that the information infringement was not only because of the frauds in the input of the information but mainly in misinterpreting the information as in the case of WorldCom where the company overstated its investment because of misinterpreting the expenses as investment. Furthermore, the analysis in the chapter also revealed that the corporate financial reporting frauds not only hinders the economic operation of the company but mainly affects the industry in which it is operating and also the economic stability of the country. Alongside, the analysis on the Sarbanes Oxley Act and the regulations of Securities and Exchange Commission has further revealed that the frauds in the financial reporting are the major elements that contribute to the hindrance of the corporate governance of the organization itself.

Objective 3: To critically analyse Section 404 of the Sarbanes Oxley Act which is the final rule of the act to be implemented by corporate organizations in the UK.
The analysis in Chapter 4 on the Sarbanes Oxley Act proved that the information consistency and accuracy of the information are essential for the successful financial reporting of an organization. Alongside, the overview on the Sarbanes Oxley Act has also established that the law protects the personnel and the interests of the staff in order to prevent the abuse of the personnel by the company for providing concrete information on frauds in the organization. The analysis on the section 404 which was passed as the rule by Securities and Exchange Commission has revealed that the companies publicly quoted withier within United States of America or foreign organization must adhere to the norms laid by the section 404 of the Sarbanes Oxley Act in order to achieve corporate governance. the discussion on the section 404 of the Sarbanes Oxley Act revealed that the information dealt with by the organization must be controlled internally right from the operational level up to the corporate level prior to the external auditing of the information itself. The different types of internal control deficiency identified by the Sarbanes Oxley Act section 404 has confirmed that the organization must not overlook even the slightest discrepancy and hence achieve high level of information transparency to achieve investor confidence. Furthermore the analysis on the Information Technology auditing and the various rules guidelines laid by the section 404 of the Sarbanes Oxley Act further reveals that the technology behind the information systems of an organization must be well structured, documented and controlled at all levels of the organization in order to maintain information accuracy and integrity of the information.

Objective 5: To provide case study analysis with examples from banking sector and Energy sector in the UK on the application of the Sarbanes Oxley Act-section 404.
The case study analyses on the banking sector with HSBC Bank Plc and Energy business in the UK with Nation Grid Transco Plc as the companies of debate, has revealed that the information technology forms a critical element in the management of the information as well as maintaining the accuracy of the information. The analysis on Nation Grid Transco Plc especially has revealed that even though the company does not have a specific product, it can still achieve transparency in operation through the efficient management o the information and the control of the errors through continuous auditing and checking in the company. alongside, the fact that Nation Grid Transco Plc is in the same line of business as Enron in United States of America which filed chapter 11 bankruptcy in the year 2002. the analysis on HSBC further revealed that by adhering to strict auditing principles and methods of management of the information technology infrastructure, an organization can apparently leverage information accuracy and data consistency which is essential for the accurate financial reporting in corporate governance of an organization.

The analysis on the companies has also revealed that the process of auditing is not only essential for the successful compliance to Sarbanes Oxley Act but mainly to establish the consistency in the business information in order to eliminate errors and increase the accuracy of the information being processed to provide financial reporting.

7.3: Conclusion

From the overview on the corporate governance it is clear that the financial reporting and efficient auditing are essential for the successful flawless financial reporting by the organization.

It was also established that the corporate governance is directly impacted by the performance of the human resource of the organization even though it is the financial performance of the company that is visible in the corporate governance of an organization. The corporate governance also comprises of the monitoring and effective management of the senior management of an organization and the presence of the non-executive director in the corporate governance is mandatory to achieve unbiased decision-making and corporate governance in the company.

It was also established that the information plays a critical part in achieving accurate financial reporting and that the effective monitoring of the information through continuous auditing and verification will provide accurate and reliable information for financial reporting. The Sarbanes Oxley Act and the compliance to section 404 has further established that the internal control and efficient auditing of the information provides accurate input to the financial reporting of the company and also increases transparency of the information eventually leveraging investor confidence.

Furthermore, it is also established that the efficient management of the IT infrastructure and deployment of robust access control and storage management techniques will leverage accuracy in the information and also increase the reliability of the information being used for financial reporting. Thus to conclude the research, it is clear that the effective use of IT auditing techniques will leverage accuracy and reliability in the corporate governance of a n organization thus increasing the investor confidence. It is also proved that the Sarbanes Oxley Act even though an American law should be adhered as a unified code of conduct by all publicly quoted organizations in order to gain transparency in the business process and encourage the investment for more investors.

Recommendations:

The research was focused on the effectiveness of IT audit in the corporate governance of UK organizations. This topic is very broad in nature since the UK business market consists of numerous industries. Hence it is recommended to conduct the report by concentrating the research upon a single industry like the banking industry or the retail sector in the UK business market.

Since primary research in the form of questionnaire is impossible because the organizations will not reveal any information that is sensitive to the business as stated before in chapter 1, it is recommended to gain firsthand information through the interview with key personnel of an organization. Since the report is academic in nature, this could not be accomplished within the limited time frame.

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